

## Message Text

SECRET

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ORIGIN NODS-00

INFO OCT-01 ISO-00 /001 R

DRAFTED BY EA/PHL:BAFLECK:PAW

APPROVED BY THE SECRETARY

EA:AWHUMMEL, JR.

P - MR. HABIB

S/S- MR. SHANKLE

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O 300016Z OCT 76 ZFF6

FM SECSTATE WASHDC

TO AMEMBASSY MANILA IMMEDIATE

INFO CINCPAC IMMEDIATE

S E C R E T STATE 267580

NODIS

MILITARY ADDRESSEES HANDLE AS SPECAT EXCLUSIVE; FOR POLAD

E.O. 11652: GDS

TAGS:PFOR, MARR, US, RP

SUBJECT:PHILIPPINE BASE NEGOTIATIONS: SECRETARY'S LU;-HEON  
WITH ROMULO

REF: STATE 250861

1. SECRETARY HOSTED LUNCHEON FOR GENERAL ROMULO OCTOBER 28.  
ALSO PRESENT WERE SPECIAL ASSISTANT MABILANGAN, CHARGE  
BELISARIO, CONGEN CADAY, HABIB, ASSISTANT SECDEF MCAULIFFE,  
HUMMEL, AND COUNTRY DIRECTOR.

2. SECRETARY OPENED SUBSTANTIVE DISCUSSION BY RECALLING  
THAT AT OCTOBER 6 MEETING IT HAD BEEN AGREED THAT U.S.  
GOVERNMENT WOULD PROVIDE GOP WITH ASSURANCE OF ITS COMMIT-  
MENT TO DEFENSE OF THE METROPOLITAN TERRITORY OF THE PHILI-  
PINES UNDER THE PROVISIONS OF THE MUTUAL DEFENSE TREATY.  
SECRETARY THEN HANDED ROMULO AIDE-MEMOIRE ON THIS SUBJECT.

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AFTER QUICK READING, ROMULO SAID AIDE-MEMOIRE GENERALLY IN

ACCORDANCE WITH OCTOBER 6 CONVERSATION AND HE WOULD TRANSMIT TEXT IMMEDIATELY TO PRESIDENT MARCOS.

3. TURNING TO SUBJECT OF FINANCIAL COMPENSATION, SECRETARY SAID USG PREPARED TO OFFER GOP FINANCIAL PACKAGE TOTALLING 900 MILLION OVER FIVE YEAR PERIOD, ONE-HALF IN MILITARY ASSISTANCE AND ONE-HALF IN ECONOMIC ASSISTANCE. IT COULD BE ADJUSTED TO DOLS 500 MILLION MILITARY AND DOLS 400 MILLION ECONOMIC, IF THAT WERE EASIER FOR THE GOP. THE MILITARY PORTION WOULD BE ABOUT 40 PER CENT GRANT AID AND 60 PER CENT FMS FINANCING. THE ECONOMIC PORTION WOULD CONSIST OF DEVELOPMENT AID, PL 480 LOANS, AND SOME EXIM BANK CREDITS.

4. IN MAKING THIS OFFER, SECRETARY CONTINUED, WE ASSUME THAT THE OUTSTANDING ISSUES RELATED TO THE OPERATION OF THE BASES WILL BE SATISFACTORILY SETTLED. WE RECOGNIZE PHILIPPINE SOVEREIGNTY OVER THE BASES BUT WE MUST HAVE OPERATING AUTHORITY OVER THEM. IT IS IN THE PHILIPPINE INTEREST THAT THE U.S. OPERATE THE BASES EFFECTIVELY; THEREFORE WE EXPECT THE GOP TO BE FLEXIBLE IN DEALING WITH THE REMAINING UNRESOLVED ISSUES. THE SECRETARY ADDED THAT HE DID NOT WISH TO GO INTO THE REMAINING ISSUES IN DETAIL BUT BELIEVED THAT IF THE U.S. AIDE-MEMOIRE AND THE PROPOSED FINANCIAL PACKAGE WERE ACCEPTABLE TO THE GOP, THEN THE REMAINING ISSUES SHOULD BE WORKED OUT BY THE NEGOTIATORS IN MANILA. MR. HABIB CAUTIONED THAT SOME OF THE REMAINING ISSUES WERE QUITE COMPLICATED AND MIGHT ULTIMATELY HAVE TO BE CONSIDERED BY THE TWO SECRETARIES AFTER HAVING BEEN NARROWED DOWN BY THE NEGOTIATING TEAMS.

5. ROMULO STATED THAT THE IMPORTANCE OF THE BASES TO THE UNITED STATES SHOULD BE CONSIDERED. HE SAID HE ENDORSED PUBLIC STATEMENTS BY MARCOS THAT THE MAINTENANCE OF THE BALANCE OF POWER IN THE AREA IS IMPORTANT AND THEREFORE CONTINUATION OF THE AMERICAN PRESENCE IS IMPORTANT. WITH THAT AS THE MAJOR PREMISE, ALL ISSUES CAN BE SETTLED IN THE LIGHT OF ACTUAL, NOT TOKEN, PHILIPPINE SOVEREIGNTY. IF THESE TWO FACTS ARE RECOGNIZED, HE CONTINUED, ALL  
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OTHER ISSUES CAN BE SETTLED, IF NOT BY THE NEGOTIATING PANELS, THEN AT THE HIGHEST LEVEL.

6. ROMULO AGREED TO REPORT PROPOSED FINANCIAL PACKAGE AND SECRETARY'S REMARKS TO PRESIDENT MARCOS AND TO INFORM THE SECRETARY OF MARCOS' REACTION AS SOON AS RECEIVED.

7. FOLLOWING LUNCHEON, SECRETARY AND ROMULO HAD PRIVATE SESSION LASTING APPROXIMATELY TEN MINUTES. THEY THEN SPOKE BRIEFLY TO MEDIA REPORTERS IN LOBBY. SECRETARY TOLD REPORTERS PRINCIPAL PURPOSE OF MEETING WAS TO DISCUSS BASE NEGOTIATIONS IN PROGRESS SINCE JUNE. HE SAID THEY HAD DISCUSSED A NUMBER OF ISSUES AND AGREED THAT THE NEGOTIATIONS WERE MAKING GOOD PROGRESS AND WILL CONTINUE. HE SAID ROMULO WOULD REPORT THE CONVERSATION TO GOP.

ROMULO SAID HE WOULD REPORT WIDE-RANGING DISCUSSION TO PRESIDENT MARCOS AND WOULD BE IN TOUCH WITH THE SECRETARY CONCERNING SUBSEQUENT DEVELOPMENTS.

8. EMBASSY SHOULD MAKE NO REPEAT NO FURTHER PUBLIC STATEMENTS REGARDING BASE NEGOTIATIONS WITHOUT SEEKING PRIOR CLEARANCE FROM THE DEPARTMENT.

9. TEXT OF AIDE MEMOIRE BEING SENT SEPTEL. KISSINGER

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